

'Supervision of new parties and markets because of Brexit'

Amsterdam welcomes a highly automated and innovation-driven trading world



Sander van Leijenhorst
Brexit programme manager at the AFM

One of the most important countries in Europe is turning its back on the continent; it pains me to see the UK leave. In my opinion the European Union (EU) isn't only an advantageous economic structure and an important idealistic power block, but above all a necessity. The EU was born out of wars, out of the awareness that sitting around the table together is the only way to prevent conflicts and to move forward together. For me, Brexit is detrimental to that ideal.

Moreover, with London the European financial markets are losing their financial heart and thus their efficiency. One heart may turn into four. The system fragments which leads to additional costs. Supervisory arbitrage also lurks, with competition between EU member states to attract British financial parties leading to lighter local supervisory regimes. We are doing our best to prevent this, together with [ESMA](#) and fellow regulators in Europe.

No-deal systemic risks

A *no-deal* is unfortunately still a possibility. It is encouraging that the large financial institutions that we supervise seem to be ready for it. The European Commission and the [Ministry of Finance](#) have taken a number of measures that are aimed at ensuring that the financial system remains stable and that the trade in specific instruments can continue. Access to key institutions in the UK remains guaranteed, which addresses the key systemic risk. Nevertheless, I think it's important to emphasise that the sector must remain alert and keep the various scenarios under constant review. The market must actively ensure that services to customers can continue, even after a hard Brexit.

Lease contract

In the event of a *no-deal*, some parties will no longer have access to the UK market and consequently some services from the UK can no longer be provided or can only be provided at a greater cost. Why is it that a particular product is suddenly no longer on the shelf? That may sometimes be difficult to ascertain, but it could be because somewhere in the supply chain there was a British link. A lease contract for a truck, for example. The financial market works in the same way. Institutions need to look carefully at relations and underlying parties to check if they are at risk and then make an informed decision about whether or not to do something about it.

Trade to Amsterdam

Around this time last year, trading platforms and particularly proprietary traders indicated they intended to establish themselves in the Netherlands. Since then, things have really taken off and now we see financial benchmark providers also making the switch. Amsterdam will soon be welcoming a highly automated and innovation-driven trading world. These are IT organisations who, unlike banks and advisers, work mainly on the fastest and most robust systems to bring supply and demand together. Thus the AFM is investing heavily in IT so that it is able to handle the data traffic.

Larger role AFM

The international role of the AFM will also be more significant because of Brexit. With the exit of the United Kingdom, we're not only losing a like-minded partner in Europe, but also their knowledge and their weight. We must take on at least a part of that role. Since a great deal of the EU trade is moving from London to Amsterdam, especially in that area EU countries will be looking to us. The entire process remains tense because there is still no consensus in the UK: deal or no deal, and then what kind of deal? It's still unclear. Brexit has taught me that the improbable can indeed become reality.

Want to know more about our Brexit preparations? Have a look [here](#).